October 29, 2026

DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE

Press Note 3: India's land-border investment rule in 2026

Press Note 3 is the rule that entities and citizens of countries sharing a land border with India invest only with government approval. From May 2, 2026, Press Note 2 (2026) governs it. Direct stakes need approval at any size. A foreign investor company up to 10% land-border owned, without control, may use the automatic route after reporting to DPIIT.

PRESS NOTE 3 (2020) IS the DPIIT note of April 17, 2020 that sent investment from countries sharing a land border with India to the government route, without banning it. Since May 2, 2026, the rule reads as Press Note 2 (2026) rewrote it, and it tests citizenship, not residence.

KEY FACTS

FDI POLICY

Consolidated FDI Policy Circular of 2020

LAND-BORDER RULE

Press Note No. 2 (2026 Series)

PROCUREMENT

Public Procurement (Preference to Make in India), Order 2017

UPDATED

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What is Press Note 3?

Press Note 3 (2020) is the DPIIT note of April 17, 2020 that sent investment from countries sharing a land border with India to the government route, without banning it. Since May 2, 2026, the rule reads as Press Note 2 (2026) rewrote it, and it tests citizenship, not residence.

DPIIT, the Department for Promotion of Industry and Internal Trade, issued Press Note 3 (2020) to curb opportunistic takeovers of Indian companies during COVID-19. Before it, the rule covered only citizens and entities of Bangladesh and Pakistan (para 1).

Jitin Prasada, Minister of State for Commerce and Industry, told the Rajya Sabha on March 27, 2026 that the 2020 amendments "do not prohibit investments" from these countries, which are "evaluated and processed under the Government route" (unstarred question 3877).

The 2020 text also caught a beneficial owner "situated in" a land-border country (FDI Policy 2020, para 3.1.1(a)), words DPIIT's general FDI FAQ still quotes (Q15). The text in force drops "situated in" and looks at citizenship (Press Note 2 (2026), para 3.1.1(a)).

For DPIIT's other rules, see DPIIT: India's investment, procurement and licensing rules.

What changed in 2026?

Press Note 2 (2026), dated March 15, 2026, rewrote the rule with effect from May 2, 2026. It defines "beneficial owner" by India's money-laundering law and tests it at the foreign investor. Up to 10% land-border ownership with no control moved to the automatic route, reported to DPIIT first.

- **A definition** of beneficial owner, from the money-laundering law (Press Note 2 (2026), para 3.1.1(c); land-border FAQ, Q1(a)).

- **The investor level:** the test runs at the foreign investor (Q1(b)).
- **Citizenship, not residence** (Q1(c)).
- **A 60-day limit** in six manufacturing areas (DPIIT's procedure, Annexure VII, para 7).

A release of March 10, 2026 announced the Cabinet's approval (PIB release 2237806); DPIIT issued the Press Note on March 15. Its rule under the Foreign Exchange Management Act (FEMA), S.O. 2174(E), is dated May 1 but came into force on Gazette publication, May 2 (rule 1(2); S.O. 4870(E), note (xvi)). DPIIT's FAQ gives May 1 (Q12).

> The 10% is not a ceiling
>
> It's a test on the foreign investor's own owners. A bigger land-border stake isn't banned; it needs approval (FAQ Q2; the Rajya Sabha answer).

See our insight FDI rules set the beneficial owner test for land-border approval.

Who still needs government approval?

An entity or citizen of a land-border country needs government approval to invest directly, at any size. So does a foreign investor company more than 10% owned, or controlled, by land-border citizens or entities, and a later transfer into land-border ownership. Merely living in a land-border country isn't enough.

Who needs approval, as of October 29, 2026

Situation	Approval needed	Source
A land-border entity or citizen invests directly	Yes, at any size	Press Note 2 (2026), para 3.1.1(a); land-border FAQ, Q5
Land-border holders own more than 10% of the foreign investor company	Yes	FAQ Q2 and Q3
Land-border holders control the foreign investor, or have ultimate effective control over the Indian company	Yes, at any percentage	Press Note 2 (2026), para 3.1.1(c), proviso
The foreign investor company has some land-border ownership, 10% or less, and no control	No: automatic route, after a report to DPIIT	FAQ Q2, Q7 and Q8
The sector itself needs approval	Yes, whatever the land-border test shows	FAQ Q2(D)

A non-land-border citizen, or a non-resident Indian, merely living in a land-border country	Not on that ground alone	FAQ Q1(c)
A multilateral bank or fund India belongs to	Not on the land-border ground: it isn't treated as any one country's	S.O. 2174(E), rule 6(a), first proviso (iv)
A later transfer puts beneficial ownership in a land-border country	Yes, before the transfer	Press Note 2 (2026), para 3.1.1(b)
An individual abroad buys listed shares that pass ownership or control to land-border holders	Yes, since June 12, 2026	S.O. 3030(E), rule 12(1), proviso
A citizen of Pakistan, or an entity incorporated there	Yes, and never in defense, space, atomic energy or prohibited sectors	Press Note 2 (2026), para 3.1.1(a)

What does 'beneficial owner' mean, and how is the 10% counted?

A beneficial owner has the meaning in section 2(1)(fa) of the Prevention of Money-laundering Act, 2002, with rule 9(3) of the 2005 record rules. You test the foreign investor: it's land-border owned when land-border citizens or entities hold more than 10% of a company investor, or control it.

- Holdings count directly or indirectly, alone or together, at the immediate investor (land-border FAQ, Q3 and Q4).
- Partnerships, trusts and unincorporated associations use the rule 9(3) threshold for their kind of body (Q7).

Registering the investor in Singapore or Mauritius doesn't avoid the rule. Press Note 2 (2026) tests the beneficial owners of an investor entity registered in any country that doesn't share India's land border (para 3.1.1(c)).

A global fund with land-border limited partners needs approval if their holdings pass its threshold or they control it (FAQ Q2 and Q7).

DPIIT's six worked examples (Q4) multiply stakes along each chain and add the chains: a 25% stake in a company owning 51% of the investor's sole owner counts as 12.75% (Illustration 2). They're illustrative only.

Can a small stake still need approval?

Yes. A direct stake by a citizen or entity of a land-border country needs approval at any size, even under 10%. Through a foreign investor, a small land-border holding still needs approval if those holders control the investor, or have ultimate effective control over the Indian company.

A direct stake needs approval "irrespective of the percentage of shareholding" (land-border FAQ, Q5).

Press Note 2 (2026) sets the control test in para 3.1.1(c) but, like DPIIT's FAQ, doesn't list what counts as control. The approval application asks for board appointment rights, veto rights and any other right giving control (DPIIT's procedure, Annexure I, item 5(a)).

What must you report when no approval is needed?

If a foreign investor has any land-border ownership but needs no approval, DPIIT gets a report before the investment. The Indian company, or the resident Indian buyer or seller, files it on the National Single Window System (NSWS) before the money arrives. Then you invest and report to the RBI.

1. Check the investor.

Work out land-border holdings and control at the foreign investor entity.

2. Report on NSWS first.

The Indian company, or the resident Indian seller or buyer, files the Schedule I form of DPIIT's procedure before the money arrives. If no money comes in, the form goes in before shares are issued or transferred (Annexure VII, paras 4 to 6). The foreign investor may file too (land-border FAQ, Q10).

3. Keep the acknowledgement.

Then go ahead without waiting for approval or security clearance (Q8 and Q9).

4. Invest.

Within the sector's cap and conditions (Press Note 2 (2026), para 3.1.1(d)).

5. Report to the RBI after.

The usual Single Master Form on its FIRMS portal still applies (Q11; S.O. 2174(E), rule 6(a)).

Schedule I asks for the investor's owners, beneficial owners, fund managers, board and key staff with their citizenship, and any land-border control rights (item 1). False information is a FEMA contravention (item 4).

How does a land-border approval case work?

You file on the National Single Window System (NSWS). DPIIT sends the case to the ministry in charge, which decides, and to the RBI and the Ministry of External Affairs. Every land-border case needs security clearance from the Ministry of Home Affairs. The procedure allows 12 weeks, your time excluded.

DPIIT's procedure sets this out (paras I.1 and II.1 to II.3; FIF portal FAQ, 2), and the Ministry of External Affairs comments on or clears each land-border proposal (para II.2).

The 12 weeks run: circulation in 2 days, scrutiny by week 2, comments by week 8, a decision by week 12 (Annexure V). Your time fixing gaps doesn't count. DPIIT gets two more weeks where a rejection or extra conditions are proposed.

These are the government's own limits, and no official document promises an outcome. See FDI approval in India: the government route, step by step.

Which proposals get a decision within 60 days?

DPIIT's procedure gives the ministry 60 days from filing to decide a land-border proposal in six manufacturing areas. It applies if land-border investors hold 49% or less of the Indian company

and resident Indian citizens, or resident Indian entities they own and control, keep majority ownership and control at all times.

The six areas (Schedule II of DPIIT's procedure)

Area	Examples in Schedule II	In the Cabinet release
Capital goods manufacturing	Power plant insulation and castings; boiler tubes; RIP bushings; transformer pressboard; metal-forming machine tools	Yes
Electronic capital goods and components	Circuit boards, modules, passive components, lithium-ion cells, chargers and cables	Yes
Polysilicon and ingot-wafer	Polysilicon; ingots or wafers	Yes
Advanced battery components	Batteries, storage systems and cell materials such as cathode and anode materials and electrolytes	No: added later
Rare earth permanent magnets	Rare earth metal, alloy and magnet making; permanent magnet generators for wind turbines	No: added later
Rare earth processing	No examples listed	No: added later

The conditions are in DPIIT's procedure, Annexure VII, para 7 (land-border FAQ, Q13 and Q14). Para 7 counts from filing and, unlike Annexure V, doesn't say whether your own time is left out.

The Cabinet release of March 10, 2026 named only the first three areas (PIB release 2237806). A Committee of Secretaries under the Cabinet Secretary may revise the list.

Can investors from Pakistan or other land-border countries invest?

Yes, with government approval. An entity or citizen of any land-border country may invest through the government route. Pakistan alone carries an extra bar: its citizens, and entities incorporated there, may not invest in defense, space, atomic energy or sectors closed to foreign investment.

The bar sits in Press Note 2 (2026), para 3.1.1(a), and names Pakistan only.

What do the official texts leave open?

Three questions stay open: which countries count, whether Hong Kong, Macau or Taiwan do, and what happens to applications filed before the 2026 change. No DPIIT text read settles them. Only DPIIT's illustrative diagrams show how to count the 10% through layers.

- **Countries:** Press Note 2 (2026) names only Pakistan, speaking otherwise of "a country which shares land border with India"; the land-border FAQ names none.
- **Hong Kong, Macau and Taiwan:** no official text read addresses them.
- **Pending applications:** no transitional rule (Press Note 2 (2026), para 2; S.O. 2174(E), rule 1(2); DPIIT's procedure, Part IV).

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Frequently asked questions

Can a Chinese company open a branch, liaison or project office in India?

Offices follow a different text: the Reserve Bank of India's 2016 regulations for branch, liaison and project offices (DPIIT's FDI FAQ, Q7). The land-border texts read here don't mention offices; check the RBI's rules for applicants from these countries.

Is the land-border test for government tenders the same as the FDI test?

No. FDI uses more than 10% of a company investor, or control (land-border FAQ, Q3); tenders use more than 25% of a company's shares, capital or profits, or control (2023 procurement order, para 13(i)). See GFR Rule 144(xi) for land-border bidders.

Does a Chinese shareholder or partner rule out PLI incentives?

Not by itself, on the texts read. The PLI scheme for white goods requires foreign investment in the applicant to comply with the FDI policy (guidelines, para 5.2) and doesn't otherwise mention land-border investors.

Sources

- Press Note No. 2 (2026 Series), March 15, 2026: review of FDI policy on investments from countries sharing land border with India, paras 3.1.1(a) to (d) and 2
- S.O. 2174(E), dated May 1, 2026 and published in the Gazette on May 2, 2026: Foreign Exchange Management (Non-debt Instruments) (Amendment) Rules, 2026, rules 1(2) and 6(a) (PDF, 723 KB)
- S.O. 3030(E), June 12, 2026: Foreign Exchange Management (Non-debt Instruments) (Third Amendment) Rules, 2026, rule 12(1), proviso
- S.O. 4870(E), September 2, 2026: Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2026, note (xvi), the publication date of S.O. 2174(E) (PDF, 574 KB)

- DPIIT, Frequently Asked Questions (FAQs) on Guidelines for Investments from Countries Sharing Land Bordering with India (LBCs), updated October 23, 2026, Q1 to Q14
- DPIIT, Standard Operating Procedure (SOP) for Processing Foreign Direct Investment (FDI) Proposals, No. 1/8/2016-F.C. I, May 4, 2026: paras I.1 and II.1 to II.3, Part IV, Annexures I, V and VII, Schedules I and II
- PIB release 2237806, March 10, 2026: Cabinet approves changes in guidelines on investments from countries sharing land border with India
- Press Note No. 3 (2020 Series), April 17, 2020: review of FDI policy for curbing opportunistic takeovers of Indian companies due to COVID-19, paras 1 and 2
- Rajya Sabha unstarred question 3877, answered March 27, 2026: norms for allowing FDI from countries bordering India
- Consolidated FDI Policy Circular of 2020, effective October 15, 2020, para 3.1.1(a)
- DPIIT, FAQs related to FDI Policy Section (undated), Q7 and Q15
- DPIIT, Foreign Investment Facilitation Portal FAQs (undated), FAQ 2
- Department of Expenditure, No. F.7/10/2021-PPD, February 23, 2023: amendment to Rule 144(xi) of the General Financial Rules, 2017, and Order (Public Procurement No. 4), para 13
- Guidelines for the PLI Scheme for White Goods, consolidated October 23, 2023, para 5.2

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